

# **FISCAL NOTE**

## **HB 1004 - SB 1088**

March 5, 2007

**SUMMARY OF BILL:** Requires any school bus purchased after July 1, 2007, to be equipped with a safety restraint system approved by the National Transportation Safety Board for the driver and all passengers. All buses shall be equipped with a restraint system after July 1, 2019.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$13,800,000 Recurring FY08-09**

**Increase Local Govt. Expenditures\* - \$27,600,000 One-Time FY07-08  
\$13,800,000 Recurring FY08-09**

#### **Assumptions:**

- Any new school buses purchased after July 1, 2007, must be equipped with safety belts and all buses in use after July 1, 2019 must have a safety restraint system.
- Currently, the majority of buses purchased are 78-passenger buses. Under the provisions of this bill, these same styled buses would only be able to accommodate 59 passengers (a 24% decrease in seating capacity). An additional 24 buses per 100 would have to be purchased just to accommodate the same number of passengers.
- Due to an increase in the number of additional buses purchased, additional bus drivers, mechanics, benefits, fuel, tires, insurance, etc., would also be needed.
- Estimated cost of a 78-passenger bus with safety belts is \$88,500 (capacity of 59 passengers). The cost of the same styled bus without safety belts in FY07 is estimated to be \$77,500, or a difference of \$11,000.
- Based on a 10-year average, approximately 600 buses are retired from service and replaced with new buses each year.
- First year costs to local governments include: The differential cost to retire 600 buses and replace with new buses with seat belts at a cost of \$11,000 each totaling \$6,600,000; the cost to purchase 144 new buses to replace the seating capacity differential at a cost of \$88,500 per bus totaling \$12,744,000; and maintenance and operation cost of \$8,290,000. Total first year costs to local governments are estimated to be \$27,600,000.
- Second year costs are estimated to be \$27,600,000 shared equally between state and local governments. State share would be \$13,800,000 and local share would be \$13,800,000.
- This expenditure would recur and increase based on inflation and market demand factors for 14-16 years past the first year as buses currently have a 15-17 year life and only retiring buses would be replaced with new buses with safety belts under this assumption.

- This estimate does not include the increase in miles transported due to the additional buses, which also affects the BEP formula; nor does it include the cost of building larger bus garages to accommodate the increased number of buses.
- There are approximately 8,400 buses statewide, currently being replaced at 600 buses per year. Between years 2007 and 2019, 7,800 (13 years x 600) buses would be replaced and compliant with this proposal. This would leave 600 buses out of compliance that would have to be replaced no later than 2019. Therefore, in year 2019, 1,200 buses rather than 600 would have to be replaced plus additional buses to accommodate reduced seating capacity.
- An increase in expenditures by local school systems for transportation results in an estimated increase in state funds generated by the BEP formula for transportation in subsequent years.
- In summary:

First year local cost:

\$ 6,600,000	(600 x \$11,000 differential)
\$ 12,744,000	(144 add'l buses x \$88,500)
<u>\$ 8,290,000</u>	maintenance & operation
\$ 27,634,000	Total first year

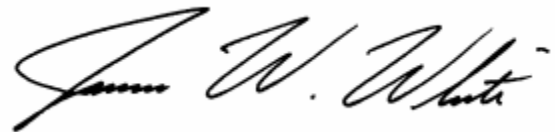
Second year cost:

\$ 6,600,000	(600 x \$11,000 differential)
\$ 12,744,000	(144 add'l buses x \$88,500)
<u>\$ 8,290,000</u>	Maintenance & operation
\$ 27,634,000	Total second year
 \$ 13,800,000	 50% State Share
\$ 13,800,000	50% Local Share

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director